

## Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 INR-10

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C O N F I D E N T I A L TEL AVIV 3513

E. O. 11652: GDS

TAGS: ELAB, IS, AFSP

SUBJ: 1974 WAGE AGREEMENTS

1. SUMMARY. MOST MAJOR WAGE AGREEMENTS FOR 1974 HAVE BEEN SIGNED WITHOUT USUAL LABOR RELATIONS PROBLEMS WHICH IN PAST YEARS GENERALLY ACCOMPANIED NATIONAL WAGE NEGOTIATIONS. WAGE INCRESASES FOR THE YEAR MAY AVERAGE AROUND 30-40 PERCENT, WITH MAJOR SHARE AS RESULT INCREASED COST-OF-LIVING ALLOWANCES. WHILE INCREASES ARE GENERALLY WITHIN HISTADRUT WAGE POLICY GUIDELINES, INCREASE OF THIS MAGNITUDE TOGETHER WITH NON-WAGE INFLATIONARY FACTORS AND HISTADRUT EFFORTS TO MINIMIZE IMPACT OF INFLATION ON WORKERS, WILL KEEP GOVT HARDPRESSED TO AVOID EXPECTED 40 PERCENT INCREASE IN CONSUMER PRICES IN 1974. END SUMMARY.

2. WITH SIGNING OF AGREEMENT JUNE 20 COVERING MAJORITY OF PUBLIC SECTOR EMPLOYEES, SUBSTANTIAL PERCENTAGES OF WORKERS IN PRIVATE AND PUBLIC SECTORS ARE NOW COVERED BY WAGE CONTRACTS FOR 1974. CONTRACTS, RETROACTIVE TO APRIL, HAVE BEEN CONCLUDED WITHIN FRAMEWORK OF HISTADRUT WAGE POLICY GUIDELINES, I.E., IL 50-80 INCREASE IN MONTHLY BASE PAY RATES PLUS INCREASE IN MAXIMUM BASE PAY ON WHICH COST-OF-LIVING ALLOWANCE IS PAID, FROM IL 700 TO IL 1,000. WAGE RATES STIPULATED IN NATIONAL AGREEMENT, HOWEVER, ARE OFTEN SUPPLEMENTED IN PRIVATE SECTOR AT ENTERPRISE LEVEL.

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3. AMONG KEY GROUPS FOR WHOM WAGE AGREEMENTS ARE NOT YET CONCLUDED ARE ENGINEERS, TECHNICIANS, TEACHERS AND PORT WORKERS. IT IS UNLIKELY THAT THESE GROUPS WILL EXCEED WAGE GUIDELINES. SECURITY AND ECONOMIC PROBLEMS IN WAKE OF OCT WAR HAVE INDUCED GENERAL MEASURE OF RESTRAINT IN WAGE FIELD. EFFORTS OF PARTICULAR GROUPS TO SEEK MORE WILL BE VIGOROUSLY OPPOSED BY GOVT AND HISTADRUT. NEW HISTADRUT GENERAL SECRETARY YERUHAM MESHEL IN PARTICULAR HAS WORKED EFFECTIVELY TO KEEP UNIONS IN LINE, WHILE AT SAME TIME INSISTING ON GOVT POLICIES TO HOLD PRICE RISES.

4. WITH MODERATE IMPROVEMENT IN BASE PAY AND LITTLE IF ANY GAINS IN FRINGE BENEFITS, MAJOR SHARE OF WAGE HIKES WILL BE ACCOUNTED FOR BY INCREASED COST-OF-LIVING (COLA) INCREASES. HISTADRUT LEADERS EXPECT ROUGHLY 20 PERCENT INCREASE IN JULY, IN ADDITION TO SIX PERCENT RECEIVED LAST FEBRUARY WHEN CUT IN BASIC FOOD SUBSIDIES CAUSED UNUSUALLY SHARP RISE IN CONSUMERS PRICE INDEX. UNIONS MAY ASK FOR FURTHER COLA INCREASE IN OCTOBER, DEPENDING ON RATE OF INFLATION DURING THIRD QUARTER. EMPLOYERS GENERALLY ANTICIPATE 30-40 PERCENT INCREASE IN WAGE COSTS, AND HAVE WARNED THAT THEY CANNOT ABSORB IT.

5. COMMENT: DESPITE RELATIVE RESTRAINT ON PART OF UNION LEADERS, SIZE AND RETROACTIVITY OF BASE PAY INCREASES COUPLED WITH IMPROVED AND MORE FREQUENT COLA INCREASES WILL INJECT SUBSTANTIAL INCREASE IN MONEY INTO ALREADY OVERHEATED ECONOMY, THUS ASSURING CONTINUED PRICE-WAGE SPIRAL. INFLATIONARY SITUATION SOMEWHAT AGGRAVATED BY HISTADRUT PRE-CONDITIONS FOR ADOPTING MODERATE WAGE POLICY. FINANCE MINISTER HAS REPORTEDLY ACCEPTED THESE PRE-CONDITIONS. HISTADRUT IS STRONGLY OPPOSED TO HIGHER TAXES (EXCEPT ON LUXURY GOODS) UNTIL END OF CONTRACT PERIOD (I.E. APRIL 1975) AND ANY INCREASES IN PRICES OF BASIC COMMODITIES AND SERVICES (THUS ADDING TO COST OF GOVT SUBSIDIES). UNIONS ALSO OPPOSED TO GOVT PROPOSALS TO ALTER TAX EXEMPT STATUS OF CERTAIN ALLOWANCES (SUCH AS FOR PROFESSIONAL LITERATURE AND AUTOMOBILE EXPENSES) WHICH ARE IN FACT WAGE PAYMENTS RATHER THAN JOB-RELATED EXPENSES. HISTADRUT ALSO VIGOROUSLY OPPOSED TO SUGGESTIONS FROM EMPLOYERS TO MODIFY COST-OF-LIVING ALLOWANCES LEADING TO LOWER AND LESS FREQUENT PAYMENTS. RECENT UNION OPPOSITION  
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TO VOLUNTARY WAR LOANS INTRODUCED WITH STRONG HISTADRUT SUPPORT AFTER OCTOBER WAR HAS LEAD TO DECREASE IN COLLECTIONS, WITH CONSEQUENT INCREASE IN DISPOSABLE INCOMES.

6. WITH LIMITED PROSPECTS FOR GOVT CUTTING EXPENDITURES, PARTICULARLY IN VIEW STRONG PRESSURES FOR SPENDING TO CLOSE SOCIAL GAP, OR SOAKING UP PURCHASING POWER THROUGH FISCAL MEASURES, INDICATORS POINT TO

CONTINUED HIGH LEVEL INFLATION. THUS PREDICTIONS OF 40 PERCENT  
RISE IN CONSUMER PRICES IN 1974 LIKELY TO BE REALIZED.  
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## Message Attributes

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